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Preparing for Reform: The impact of adult social care reform for Yorkshire and Humber

September 2022

Executive summary

As part of the promise of Boris Johnson's government to 'fix' adult social care, the system of charging for adult social care is being reformed. The goals are to:

- Provide greater financial security for people who require care in their lifetime.
- Limit the personal financial contribution an individual has to make towards their care.
- Ensure a fair rate for care is paid to care providers, to enable a high quality of care.
- Provide more support from local authorities to those that currently arrange and fund their own care, ensuring they can access the same rates as the local authority.

The Government intends to achieve this by:

- Providing a more generous means test, such that residents are required to contribute less of their personal wealth to fund their care costs.
- Providing more certainty for residents by limiting the potential costs they may need to meet for their care, by placing a cap on personal contributions.
- Improving transparency, by giving every resident access to a 'Personal Care Account'.
- Ensuring fairness in the rates paid for self-funded and state-funded care and provide greater support to those who currently arrange their own care, by allowing everyone to request that the local authority arranges their care, regardless of how it is funded.
- Paying a fair rate for providing care to care providers.

This set of reforms, set to be implemented from October 2023, come at a very busy time for adult social care, as services continue with COVID recovery, prepare for CQC Assurance, and work through reforms in Health and Social Care integration (the White Paper) and Liberty Protection Safeguards.

The analysis for this programme suggests that they will cost Yorkshire and the Humber in the region of £3.1bn over the next 10 years, whilst requiring 400 additional social work staff (a 25% increase on today) and nearly 70 additional Financial Assessment Officers. Whilst government funding for the new means test and cap on care appears sufficient for the region for year one, it is expected there will be a shortfall in later years.

The funding for the fair cost of care falls far short of the potential cost, both regionally and nationally, leaving a forecast national gap of in excess of £700m per year. This will have to either be made up by local authorities, or passed to care providers, further destabilising the market.

The relationship between these reforms and levels of deprivation (meaning that these reforms divert more funding to wealthier parts of the country) should be fully acknowledged, particularly in light of levelling up policy, to which this runs counter. By design, this is a set of policies designed to provide significant additional financial security to those of moderate wealth and, whilst this does not directly detract from the support offered to those of lesser wealth, it should be openly debated whether this is the right priority.

Successful implementation will require both local and central government to play a significant role. Yorkshire and the Humber are taking positive steps to explore how they collaborate to tackle some the emerging issues, and capitalise on some of the opportunities presented by reform. This includes:

1. Establishing common principles and a shared method for change
2. Joined up strategic commissioning
3. Joint working on technical challenges and opportunities

There are four key points for central government to address to best support Yorkshire and the Humber in successfully implementing reform:

1. Phasing implementation
2. Fully funding the fair cost of care
3. Develop a concrete set of proposals to tackle the wider challenge of truly 'fixing' social care
4. Clearly communicating the changes to residents

Introduction

Purpose of this report

The purpose of this report is to:

- Provide Yorkshire and the Humber with a clear overview of the potential impact of charging reform in adult social care.
- Provide a summary of the action being taken locally and regionally to support this, along with key asks from the region to central government.
- Offer an outline of the steps needed to achieve effective reform and to 'fix' adult social care.

Methodology

The report has been developed through a partnership between the region and Newton, who also conducted a national project on this subject. The work has been led by a steering group, comprising:

- Sarah Norman, CEO, Barnsley Metropolitan Borough Council (Chair)
- Clair Parker, Senior Partnerships Officer, Yorkshire & Humber Councils
- George Angus, Assurance and Improvement Project Manager, Barnsley Metropolitan Borough Council
- Iain Macbeath, Strategic Director of Health & Wellbeing, Bradford Metropolitan Borough Council
- Joshua Amahwe, Strategic Finance Manager, Barnsley Metropolitan Borough Council
- Neil Copley, CFO, Barnsley Metropolitan Borough Council
- Peter Ollerenshaw, Regional Policy Officer, Yorkshire & Humber Councils
- Phil Holmes, Director of Adults, Health and Wellbeing, Doncaster Council
- Richard Parry, Strategic Director Adults & Health, Kirklees Council

The analysis for this report was carried out by Newton, drawing from their national work on this subject and enhanced with intelligence from colleagues in the region. Further input was gathered through engaging with the ADASS regional branch. Views from wider stakeholders were drawn from the extensive engagement carried out as part of Newton's national work, which included round table discussions with providers (small and large), residents and families, commissioners, CEOs, Finance Directors, DASSs and voluntary sector representatives along with input from the Local Government Association (LGA), the Association of Directors of Adult Social Services (ADASS), the National Care Association (NCA), Care England and Healthwatch.

Context

History of reform

There has been much debate over the years on how to reform the way in which adult social care is delivered and funded. In 2010, the coalition government set up a commission under the leadership of an economist, Sir Andrew Dilnot, and his report was accepted at the time (2011). His principle that there should be a maximum cap on the cost of care for any one individual was widely accepted and then enshrined in the Health and Care Act passed in 2014.

Although Dilnot's proposal was not enacted at the time, the basis of the principle of a cap on the amount a person would be charged for their social care has remained strongly supported and was picked up by the new Conservative-led government in 2019. The in-coming Prime Minister, Boris Johnson, said he would "fix the crisis in social care". In the first budget after the Covid-19 pandemic had subsided, the government introduced a levy on the cost of National Insurance to both employers and employees to fund a change in the charging thresholds and to introduce a cap on the cost of social care. The new arrangements also focused on section 18 (3) of the Care Act which put a duty on local authorities to arrange care for any individual who had eligible needs irrespective of who was going to pay for that care. Whilst this levy has been subsequently reversed by Liz Truss's government, it appears that the government intends to continue as planned with charging reform, with the source of funding for this currently to be confirmed.

There is now a significant reform agenda in place for adult social care. There has been a white paper, *People at the Heart of Care* published in December 2021, and a separate integration white paper published in February 2022, in addition to the wider strategic changes for health and social care contained in the more health-focused Health and Care Bill in February 2021. There has also been a range of proposals on charging and the fair costs of care; assurance of social care; and designing a social care system where people with lived experience are put at the heart of what local authorities should be doing. This has set a large and complex agenda of change for those commissioning and providing social care in England.

National context

The charging reforms are set to be introduced against a challenging backdrop. It is a time of significant change for health and social care systems including recovery from the waves of the pandemic that led to national and local lockdowns, and particularly working through the associated NHS backlogs; preparing for the introduction of assurance across adult social care; the implementation of new Liberty Protection Safeguards; the development of Integrated Care Systems; and preparing for the implications of the integration white paper.

For local government more broadly, the reforms come alongside a wider change agenda, including ongoing financial challenges as a result of inflationary pressures; devolution and 'county deals'; the SEND green paper; the Schools white paper; and the Homes for Ukraine scheme. The consequences of these parallel challenges include:

- Limited capacity for senior leaders and system partners to engage in successfully implementing the reforms.
- Availability of the social care workforce, with some leaving the sector altogether, and many still suffering from ill health.
- Rising demand for adult social care[1], potentially caused by:
    - suppressed demand during successive Covid-19 national lockdowns.
    - increased prevalence of mental and physical health complaints caused by the pandemic and by the current geo-political instability.
    - an increase in elective inpatient stays, as the NHS seeks to clear its backlogs.

[1] Requests for support for older people increased 6% between 2015/16 and 2020/21, and 15% over the same period for working age adults. Source: https://www.kingsfund.org.uk/publications/social-care-360/access

    - preparation for the new quality assurance regime which will apply to adult social care and local authorities identifying unmet need.
- Limited capacity of project management and change management staff to manage the implementation of the multiple changes.
- Increasing difficulty for residents, staff, and other system partners to fully comprehend the total effect of the various changes and how they will be impacted as individuals and organisations.

Challenges with the current system

The adult social care system delivers high quality outcomes for thousands of residents every year. It is a sector that many feel proud to work within and support, and it has succeeded in continuing to evolve in line with the changing national context, pressures, and requirements over many decades. However, as with any system, the adult social care system faces some major structural and contextual challenges. These include:

System of means testing: Individuals may be required to either meet all the costs of their care, or contribute, depending on their personal wealth, which can expose an individual to potentially unlimited personal financial liability

A mixed market and self-funding: significant variation between rates paid by private individuals paying for their own care, and the rates paid by local authorities. Also the issue of self-funders whose funding 'runs out' putting pressure on the local authority's resources and making it harder for the council to judge future demand for care.

Provider sustainability: many care providers believe that at present, local authorities do not provide an adequate rate to properly fund their business model, guarantee they can operate sustainably, and deliver a high-quality service.

Workforce: Recruiting and retaining a highly skilled care workforce is a persistent challenge for local authorities and care providers, driven by low rates paid by local authorities to care providers , the perceived unattractiveness of the care sector relative to other sectors such as retail and hospitality, and by the Covid-19 pandemic, which has increased workforce attrition.

The relationship with the NHS: the relationship between adult social care and the NHS has long been cited as both a challenge and an opportunity. The challenges presented are numerous and well documented and are considered to centre around a lack of parity of esteem between the two parts of the health and care system.

Rising costs: local authorities are expecting a significant increase in need for adult social care as a result of shifting demographics and the release of demand 'pent up' during the pandemic. Recent analysis undertaken[2] for CCN suggested an anticipated rise in requests for support of 28% by 2029-30 compared to 2022-2023 figures.

[2] PwC and CCN (2021) - Future of Local Government
http://www.countycouncilsnetwork.org.uk/download/3635/

An overview of the proposed charging reforms

The Government has set out three overarching objectives for social care reform. These are to:

1. Offer choice, control, and independence to care users – so that individuals are empowered to make informed decisions and live happier, healthier, and more independent lives for longer.
2. Provide an outstanding quality of care – where individuals have a seamless experience of an integrated health, care, and community system that works together and is delivered by a skilled and valued workforce.
3. Be fair and accessible to all who need it, when they need it – ensuring that fees are more transparent; information and advice is user-friendly and easily accessible; and no one is subject to unpredictable and unlimited care costs.[3]

It is primarily this third objective which the current charging reforms seek to achieve. These reforms are designed to:

- Provide greater financial security for people who require care in their lifetime.
- Limit the personal financial contribution an individual has to make towards their care.
- Ensure a fair rate for care is paid to care providers, to enable providers to sustainably offer a high quality of care.
- Provide more support from local authorities to those that currently arrange and fund their own care, ensuring they can access the same rates as the local authority.

They intend to achieve this by:

- Providing a more generous means test, such that residents are required to contribute less of their personal wealth to fund their care costs.
- Providing more certainty for residents by limiting the potential costs they may need to meet for their care, by placing a cap on personal contributions.
- Improving transparency of costs, by giving every resident access to their own 'Personal Care Account'.
- Ensuring fairness in the rates paid for self-funded and state-funded care and provide greater support to those who currently arrange their own care, by allowing everyone to request that the local authority arranges their care, regardless of how it is funded.
- Paying a fair rate for providing care to care providers.

The means by which the Government is seeking to achieve this is covered below.

Key components of charging reform

There are four key components of charging reform:

1. Care cap: There will be a cap of £86k on the amount any individual can spend on their personal care over a lifetime. The local authority will help individuals to 'meter' towards the cap through a 'Personal Care Account' accounting for any money that they spend on care, based on the budget the

[3] Build Back Better: Our Plan for Health and Social Care, Department of Health and Social Care, Cabinet Office, Prime Minister's Office, 10 Downing Street (2021) https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care/build-backbetter-our-plan-for-health-and-social-care

local authority determines as appropriate for the level of eligible need, excluding any top-ups. Once this cap is reached, care will be funded by the local authority. This will mean that residents' personal contributions to the cost of their care will be limited, regardless of the level of wealth and assets they have. There will be key exclusions from 'care costs', which will not count towards the care cap, such as a £200 per week daily living cost (DLC).

2. Means testing: The introduction of a more generous means test will mean that anyone with assets of less than £20,000 will not pay for their care at all, and anyone with assets between £20,000 and £100,000 will receive some assistance. This compares to the current system whereby the local authority will only assist in part if a resident has assets of below £23,250 and will only contribute in full if they have assets of less than £14,250. The Minimum Income Guarantee (MIG) and Personal Expenses Allowance (PEA) will also be unfrozen, ensuring that individuals keep more of their own income. Where a person receives support from the state, the £86k cap will still apply to the individual's personal contribution.

3. Fair cost of care: Local authorities are required by October 2023 to 'move towards' paying a 'fair cost of care'. This is intended to ensure that providers receive sustainable funding, to deliver high quality, consistent care.

4. Care brokerage: Implementing section 18(3) of the Care Act will mean that self-funders can request an assessment from their local authority. They will also be able to ask the local authority to source and broker their care for them. This should mean that self-funders start to pay the fair cost of care, if the local authority arranges their care. It is expected that, as a result, care providers will lose income from this cohort, who in most cases currently pay a higher rate, unless local authorities are resourced at a level which enables them to make up the shortfall through the fair cost of care exercise.

A summary of the financial and operational impact

Introduction

The four key components of these reforms, as described above, will fundamentally redistribute the financial responsibility for paying for an individual's care. The cost to the individual will reduce, and the cost to the local authority will increase. The contribution of care providers will be determined by how the fair cost of care and section 18(3) of the Care Act are implemented, which will reduce the level of cross-subsidy between self-funded and local authority-funded individuals.

Four areas of cost to the local authority have been considered:

- **Means test**: the cost of the local authority contributing to the cost of care for a greater number of people when the new thresholds are implemented.
- **Cap**: the cost of the local authority paying for a person's care costs once the £86k cap on care is reached.
- **Operational spend**: the 'do nothing' cost associated with employing additional social work staff and financial assessment officers, to manage the additional demand on social care. This assumes the operating model of a local authority remains unchanged from today, and does not include wider staffing costs which may be incurred.

- **Fair cost of care spend**: the cost of implementing the fair cost of care for residential and nursing providers only; the impact for domiciliary care is explored separately.

This programme has modelled these costs nationally, regionally for Yorkshire and the Humber, and locally for the local authorities in the region. The fair cost of care has been modelled by LaingBuisson in a previous report, and their analysis is referenced here.

National Summary

The total cost of these reforms has been estimated by this programme at £29bn - £32bn, cumulatively over the next 10 years. The breakdown of this total by year is shown in Figure *1*Figure *1*.

	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2030	2030 - 2031	2031 - 2032	Cumulative Total Discounted to 2020 at 3.5% per year
Older Adults (65+) Means Test & Cap	£241m	£744m	£1,340m	£2,074m	£2,585m	£2,743m	£2,837m	£2,928m	£3,016m	**£13,885m**
Working Age Adults (18 - 65) Means Test & Cap	£170m	£380m	£460m	£520m	£540m	£560m	£570m	£590m	£690m	**£3,421m**
Total Means Test & Cap	£411m	£1,124m	£1,800m	£2,594m	£3,125m	£3,303m	£3,407m	£3,518m	£3,706m	**£17,306m**
Operational Spend	£241m	£248m	£256m	£263m	£271m	£279m	£288m	£296m	£305m	**£1,901m**
FCC Spend (Residential & Nursing)	£1,232m	£1,269m	£1,307m	£1,346m	£1,386m	£1,428m	£1,471m	£1,515m	£1,560m	**£9,714m**
Total	**£1,884m**	**£2,641m**	**£3,363m**	**£4,204m**	**£4,783m**	**£5,010m**	**£5,166m**	**£5,330m**	**£5,572m**	**£28,922m**

Figure 1 *– this programme's estimate of the total national cost of charging reform*

The Government's Impact Assessment

The Government has completed its own detailed Impact Assessment of the reform proposals[4] which seeks to quantify the financial impact for local authorities. This is included in Figure 2 and estimates the total comparable cost to be £19bn, cumulatively over the next 10 years.

	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2030	2030 - 2031	2031 - 2032	Cumulative Total Discounted to 2020 at 3.5% per year
Older Adults (65+) Means Test & Cap	£240m	£740m	£710m	£1,360m	£2,000m	£2,270m	£2,440m	£2,600m	£2,750m	**£11,360m**
Working Age Adults (18 - 65) Means Test & Cap	£170m	£380m	£450m	£510m	£530m	£549m	£559m	£579m	£678m	**£3,410m**
Total Means Test & Cap	£410m	£1,120m	£1,170m	£1,880m	£2,540m	£2,830m	£3,010m	£3,190m	£3,440m	**£14,770m**
Operational Spend	£170m	£150m	£170m	£160m	£160m	£161m	£171m	£171m	£182m	**£1,165m**
FCC Spend (Residential & Nursing)	£378m	£390m	£403m	£417m	£430m	£445m	£460m	£477m	£494m	**£3,020m**
Total	**£958m**	**£1,660m**	**£1,743m**	**£2,457m**	**£3,130m**	**£3,436m**	**£3,641m**	**£3,838m**	**£4,116m**	**£18,956m**

Figure 2 - the Government's impact assessment

Whilst the estimates of the impact of the means test and cap carried out for this programme are approximately 17% higher than the Government's Impact Assessment (£17.3bn vs. £14.8bn),

[4] Social Care Charging Reform Impact Assessment, DHSC (2022) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1044903/adult-social-care-charging-reform-impact-assessment.pdf

considering that this analysis has been carried out independently, and that there is significant uncertainty, suggests reasonable alignment between the two estimates, in particular in early years.

However, the fair cost of care shows a significant discrepancy, with the analysis used for this programme provided by LaingBuisson suggesting a cost of over three times the Government's estimate (£9.7bn vs. £3.0bn). This is the key area requiring ongoing discussion to ensure that reform is fully funded.

It should be noted that the analysis presented here excludes the fair cost of care impact for domiciliary care, and is for residential and nursing care only.

The Total Impact for Yorkshire and the Humber

The total estimated cumulative cost for Yorkshire and the Humber is £2.8bn cumulatively over the next 10 years. Figure 3 shows this broken down by year, and excludes the impact of the fair cost of care in domiciliary care which is explored later in this section. This is approximately 9.8% of the £29bn total for England. Whilst this paper focusses on the impact for the Yorkshire and the Humber region, there is significant variation in the scale of impact between local authorities. This is largely due to the relationship between the costs of implementing these reforms with levels of deprivation and wealth, explored later in this section.

	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2030	2030 - 2031	2031 - 2032	**Cumulative Total** Discounted to 2020 at 3.5% per year
Older Adults (65+) Means Test & Cap	£19m	£58m	£104m	£160m	£200m	£212m	£219m	£226m	£233m	**£1,074m**
Working Age Adults (18-65) Means Test & Cap*	£16m	£36m	£43m	£48m	£50m	£52m	£53m	£55m	£64m	**£322m**
Total Means Test & Cap	£35m	£94m	£147m	£208m	£250m	£264m	£272m	£281m	£297m	**£1,396m**
Operational Spend	£22m	£23m	£24m	£24m	£25m	£26m	£27m	£27m	£28m	**£176m**
FCC Spend (Residential & Nursing	£161m	£166m	£171m	£176m	£181m	£187m	£192m	£198m	£204m	**£1,269m**
Total	**£218m**	**£282m**	**£341m**	**£409m**	**£456m**	**£477m**	**£491m**	**£507m**	**£529m**	**£2,841m**

Figure 3 - the summary of the estimate of total cost for Yorkshire and the Humber, ***excluding domiciliary care***

Relationship to Deprivation and Wealth

As explored in the previous section, the new means test and care cap will be most financially beneficial to those residents who have greater than £20,000 of chargeable wealth. If they have between £20,000 and £100,000, they will benefit from the raised means test capital limits, receiving some state support for their care and possibly reaching the £86,000 care cap. Those with wealth of greater than £100,000 may benefit from the care cap.

The corresponding impact of this for local authorities is that the most significant incremental costs will be borne by those areas with the wealthier populations (those with a greater number of people with over £20,000 of wealth), with lesser incremental cost seen in those areas of greater deprivation, where the vast majority of people are already receiving some form of local authority funded support for their care costs. In part, this effect is countered by traditionally wealthier areas having a greater council tax base from which to draw additional funding for social care.

In order to estimate these costs, this programme analysed the chargeable wealth of people living in all postcodes across England. Figure 4 shows the summary of this analysis for all postcodes within Yorkshire and the Humber.

Estimate of the chargeable wealth of the 65+ population who are eligible for care in Yorkshire & Humber, compared to the England average

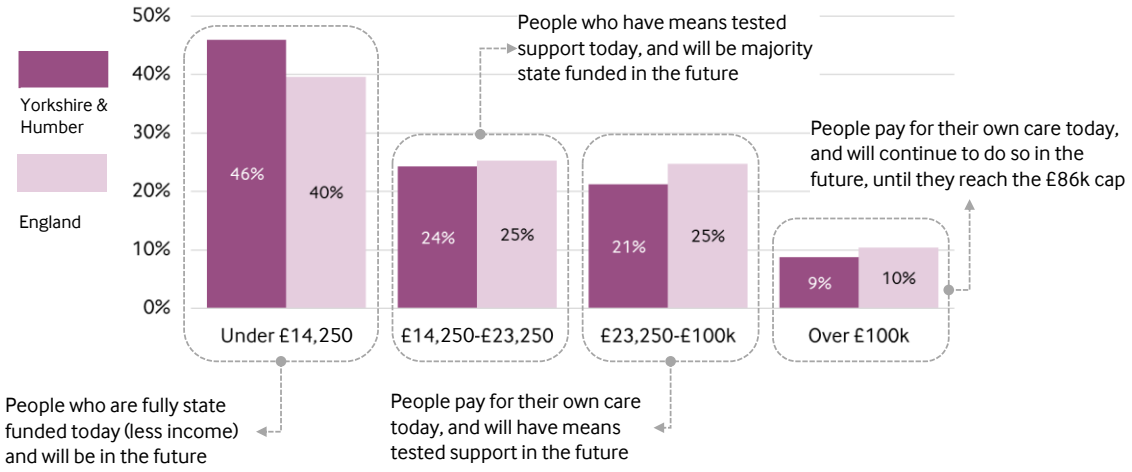

Figure 4 - the relative wealth of the eligible care population in Yorkshire and the Humber and how this relates to the costs of implementing charging reform

This analysis demonstrates that the population in Yorkshire and the Humber is more deprived, on average, than the rest of England, with a greater proportion (46% vs. 40%) of the 65+ eligible care population estimated to have less than £14,250 of chargeable wealth. The table in Figure *5* shows the breakdown of the cost of the means test and care cap by region, illustrating this relationship to deprivation. For the older adults means test and cap costs, Yorkshire and the Humber make up approximately 7.9% of the total cost for England.

	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2030	2030 - 2031	2031 - 2032	**Cumulative Total** Discounted to 2020 at 3.5% per year
North East	£7m	£23m	£41m	£64m	£80m	£85m	£88m	£91m	£93m	**£429m**
North West	£23m	£72m	£130m	£201m	£251m	£266m	£275m	£284m	£292m	**£1,346m**
Yorkshire & The Humber	£19m	£58m	£104m	£160m	£200m	£212m	£219m	£226m	£233m	**£1,074m**
East Midlands	£11m	£33m	£59m	£92m	£114m	£121m	£126m	£130m	£133m	**£614m**
West Midlands	£15m	£46m	£82m	£127m	£159m	£168m	£174m	£180m	£185m	**£853m**
East of England	£31m	£96m	£173m	£268m	£334m	£354m	£366m	£378m	£389m	**£1,793m**
London	£20m	£62m	£112m	£174m	£217m	£230m	£238m	£246m	£253m	**£1,165m**
South East	£76m	£235m	£424m	£656m	£818m	£867m	£897m	£926m	£954m	**£4,391m**
South West	£39m	£119m	£214m	£332m	£413m	£439m	£454m	£468m	£482m	**£2,221m**
Total	**£241m**	**£744m**	**£1,340m**	**£2,074m**	**£2,585m**	**£2,743m**	**£2,837m**	**£2,928m**	**£3,016m**	**£13,885m**

Figure 5 - the cost, by region, of the new means test and cap on care for Older Adults

The Fair Cost of Care for Domiciliary Care

The impact of the fair cost of care for Domiciliary Care providers is not included in the analysis above; this was not part of the scope of the LaingBuisson work. With fair cost of care exercises now underway, initial analysis of the returns in the region can indicate the potential increase in rates. Figure 6 shows an early snapshot of this analysis for Yorkshire and Humber.

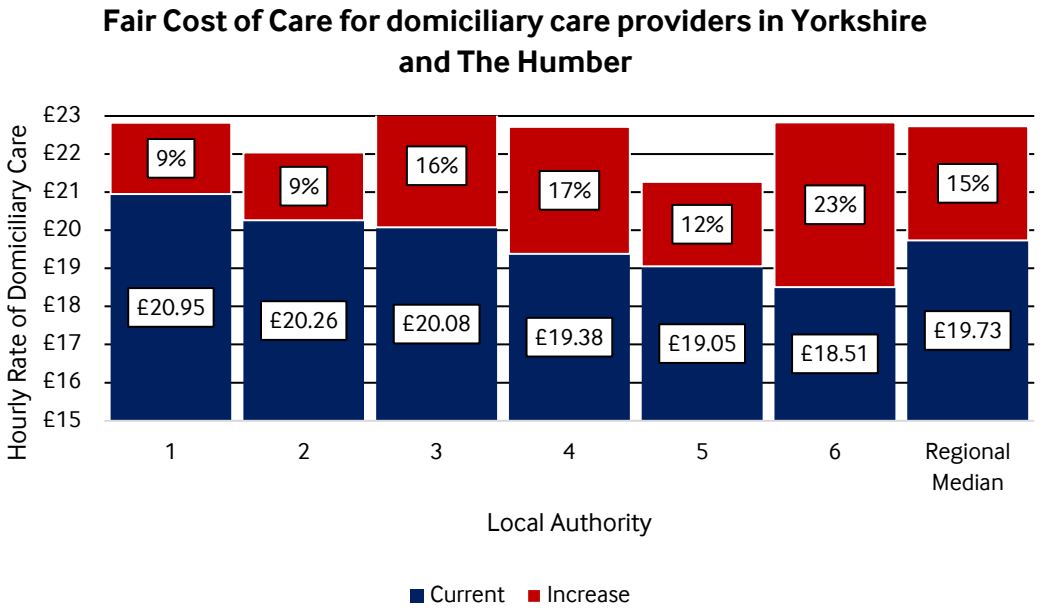

Figure 6 - the potential increase in the cost of domiciliary care in Yorkshire and the Humber (shown for those authorities for whom we have complete data)

Approximating the region's spend on domiciliary care by using SALT returns suggests a baseline spend of approximately £180m per year for the region. Therefore, this increase would equate to an additional £27m per year, over and above the totals quoted in Figure 3. This would take the total impact for Yorkshire and the Humber to approximately £3.1bn over the 10 years.

Operational Spend and Headcount Impact

There will be three primary sources of additional demand for local authorities:

1. The increased financial and needs assessments, care management, and brokerage responsibilities for those residents who will now receive local authority funding for their care (with up to £100,000 of assets).
2. The increased financial and needs assessment workload for those self-funders seeking to open a care account.
3. The increased financial and needs assessments, reviews, and brokerage workload for self-funders seeking to access care brokerage via section 18(3) of the Care Act.

The analysis finds that there will be, in total, almost 200,000 additional Care Act and financial assessments per year nationally. For Yorkshire and the Humber, this is anticipated to be a total of almost 20,000:

- 10,100 additional care act assessments
- 8,800 additional financial assessments

In addition, it is assumed that anyone who receives a Care Act assessment will also receive an annual review and, for those with assets below £100,000, will have a requirement for ongoing care management.

Assuming no change to local authority operating models, this is anticipated to translate into a requirement for 4,300 social work staff, and 700 financial assessment officers nationally. For Yorkshire and the Humber this is expected to mean a requirement for:

- 400 additional social work staff on a baseline of around 2,000 in the region
- 67 additional financial assessment officers

The costs for this additional workforce are included in the 'Operational Spend' analysis, shown earlier in this section.

Central government funding

It is important that both the total funding provided by government is correct, and the method for distributing the funding is an accurate match for where the cost will be felt. Based on the relationship between deprivation and wealth, and the cost of these reforms, the relative needs formula will not be suitable.

National Funding

The National Insurance Levy was designed to raise £12 billion per year in additional revenue, in part to fund these reforms. £3.6 billion (£1.2 billion per year) of this was allocated to pay for the cap on care costs and the extension to the means test, and to support progress towards local authorities paying a fair cost of care. With the levy now being withdrawn by Liz Truss's government, it is unclear how much funding will be available and how this will be sourced. A figure of £13bn was quoted[5] during the Conservative Party leadership campaign, however it is unclear over what timescale this would be made available.

Based on the most recent consultation, it appears that the total funding available nationally for the cap on care costs and the extension to the means test, for the first year of implementation, will be sufficient to cover the potential cost. However, the longer term funding is expected to fall short, given the discrepancy between the cost analysis in this report, and the Government's impact assessment.

The funding for the fair cost of care appears to fall significantly short of what is required. In December 2021 the Government launched the Market Sustainability and Fair Cost of Care Fund which was designed to allocate £1.4 billion of the original £3.6 billion injection from the Levy to the funding the fair cost of care. Assuming this funding is still in place, despite the loss of the levy, £162 million of this £1.4 billion will be allocated in 2022/23 to support local authorities as they prepare their markets for reform. A further £600 million will be made available in both 2023/24 and 2024/25[6].

[5] https://www.lgcplus.com/services/health-and-care/truss-pledges-to-allocate-13bn-to-social-care-05-08-2022/

[6] Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023, DHSC (2021) https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023/market-sustainability-and-fair-cost-ofcare-fund-purpose-and-conditions-2022-to-2023

However, the analysis from Laing Buisson shown in Figure 1 indicates the anticipated cost to be more than two times this figure (£1.3bn+), before including the cost of funding the fair cost of care for domiciliary care providers. This leaves a significant shortfall, which will either have to be funded by Local Authorities, or passed on to care providers, further destablising the market.

Funding Distribution

The Government has consulted on two alternative methods of distributing the funding for the means test and cap, which better accounts for the relationship with wealth and deprivation. At the regional level, these appear to favour Yorkshire and the Humber, with the region receiving 9.73% - 10.37% of the funding for the older adults means test and cap, compared to this programme's estimate that the region will bear 7.9% of the cost. However the situation for individual local authorities is more varied, with North Yorkshire receiving an allocation of funding which is below the proportion of cost estimated by this programme.

It is important to note that this is only for one element of the cost, the Older Adults means test and cap. The total picture will need to be understood, in particular including how the fair cost of care will be funded, which has not yet been consulted on.

A summary of the wider implications

Impact on Care providers

Engagement with small and medium sized care providers through Newton's national work revealed a lack of understanding of the potential impacts of charging reform, and how the local authorities they work with would be supporting implementation. None of the care providers engaged in spring 2022 reported that they had received any detailed information about the reform from local authorities, with only limited information shared so far regarding the fair cost of care exercises. This is leading to concerns around trust and transparency, especially given the commercially sensitive information required to be shared. However, providers recognised that local authorities themselves do not yet have a complete picture, and that a significant amount of detail is still to be worked out.

Larger providers engaged with through this programme appeared to have a more detailed understanding of the reforms and their potential impact. However, they also shared significant concerns about the implementation process, in particular, the potential cost and complexity for them if different models are used by local authorities for the fair cost of care exercises and called for consistency nationally wherever possible.

Providers recognise that implementing section 18(3) of the Care Act, enabling self-funders to access local authority rates, poses a significant threat to their income and will risk them remaining viable businesses, unless an adequate fair cost of care is in place.

Workforce continues to be a major challenge for care providers, as well as local authorities. If the fair Cost of Care element properly funded, these reforms provide an opportunity to support provider viability, by enabling providers to fully reward and retain their staff. However, without proper funding, and with any further financial pressure placed on providers, there is a risk that capacity will reduce, and the necessary level of care and support will simply not be available in the market.

In addition to the discussions held with various providers, a small sample of providers were surveyed to understand concerns around the viability of their business in the context of these reforms. Some 71% reported that they are considering moving to an alternative business model or into an alternative market, and 100% reported that they have concerns about their long-term financial sustainability because of the reforms.

Impact on Residents

Two of the objectives of these reforms are to provide greater financial security for people who require care in their lifetime and to limit the personal financial contribution an individual has to make towards their care. In their current form, the reforms will significantly reduce the personal contribution an individual has to make towards their care, mostly driven by the more generous means test.

However, individuals with lived experience, their families, and carers (hereafter referred to as residents) who were engaged through this work programme, shared how complex they already find accessing the right support, and understanding how this should be funded. In addition to the discussions held, a small sample of 18 residents were asked in a survey how well they understand the current social care funding system, with some 50% responding 'not well'. The same group of residents was asked how well they understand the changes to social care funding and 72% responded 'not well'.

The main point of confusion is how the £86k cap will be applied, and the understanding (or lack thereof) that only 'eligible care costs' will be counted. Residents raised concerns that the current communication is unclear, since it implies that an individual will not pay more than £86k for their care, which is not the case. This lack of understanding also gives rise to the reforms being perceived as being unfair.

If not made clearer, it is anticipated that this will result in a significant increase in the number of complaints received by local authorities, as well as anxiety and confusion for individuals, negating some of the positive impact of these reforms in reducing personal contributions to care costs.

Finally, residents are worried that this increased pressure on staff's time will result in a more 'tick box' approach to assessments, reducing the quality of service.

What remains unclear (and needs to be a key focus of further work) is the proportion of residents expected to 'take up' the option of the local authority assessing and arranging their care. Based on the survey conducted, and the residents engaged directly, there was approximately a 50:50 split in responses from self-funders. However, one agency engaged through this work commented that they would be encouraging all self-funders to take up section 18(3).

Wider impact on local authorities

The financial and operational analysis carried out for this programme indicates that the impact is more substantial than the Government's initial Impact Assessment suggests, especially for the fair cost of care. It will be challenging for local authorities to make more funding available for adult social care, especially of the order described here, and there will be reticence to further increase Council Tax or to reallocate existing budgets.

Perhaps more challenging than the financial costs are the operational implications, with this report estimating that up to 20% more social work staff will be required to manage the additional workload in Yorkshire and the Humber. A report published by ADASS in May 2022 demonstrated that nationally, there are currently 506,131 people waiting for an adult social care assessment or review of any kind[7]. Whilst, in part, this is driven by local authorities' capacity to carry out these assessments (which will be further impacted by the increase in assessment volume through these reforms), this is also driven by an existing lack of capacity in the homecare market to begin packages of care.

Given the challenges currently facing the social care workforce, it is unlikely to be feasible to recruit the scale of additional workforce estimated in this analysis to carry out the additional assessments required, particularly in the short term. It is clear that in approaching reform, central government, local government, and local partners will have to consider how the operating model for conducting assessments and managing caseloads fundamentally changes moving forward.

Local authorities across Yorkshire and the Humber are keen to explore the potential presented by these reforms, building on the opportunity to change the operating model and move to more effective and efficient practices, and are working on collaborating as a region to develop creative solutions. However, considering the existing pressure on services and concerns over IT and technical infrastructure amongst councils, it will be extremely challenging within current implementation timescales to capitalise on these opportunities.

Recommendations for local and regional action

The analysis conducted through this report indicates there is likely to be significant financial and operational pressure in Yorkshire and the Humber. There are a number of positive steps that the region is already taking to both mitigate the risks brought about by these reforms and to capitalise on some of the opportunities. To support this, a degree of alignment and joint working across the region is being developed. There are three broad areas of priority:

1. Establishing common principles and a shared method for change
2. Joined up strategic commissioning
3. Joint working on technical challenges and opportunities

Common principles and a shared method for change

Across Yorkshire and the Humber there work underway to develop a set of shared values and principles to underpin ongoing transformation. These will help to define the characteristics of what sustainable and effective adult social care could look like, and are likely to include:

- Being informed by our connections and relationships with our people and communities.
- Focussing on the culture and behaviours of staff, residents and partners.
- Being data literate, and making decisions informed by insight and evidence.
- Empowering people by avoiding unnecessary bureaucracy and 'red tape'.
- Building strong legal literacy across the workforce.

Joined up strategic commissioning

[7] Waiting for Care ADASS Report May 2022, ADASS

With the fair cost of care exercises progressing, there is sharing of data and understanding across the region, and joint development of strategic commissioning and market management plans. This will help to:

- Moderate the fair cost of care centrally, by comparing the different rates put forward and their makeup, using these comparisons as evidence to challenge providers where required.
- Agree standards around key elements of the cost of care (for example, the profit margin currently charged on an hour of homecare ranges from £0.93 to £1.34 across the region, variation of 44%).
- Share understanding of how to support businesses to operate efficiently (for example, the back office staff cost per hour of homecare ranges from £2.67 to £5.06 across the region, variation of 90%).
- Building a regional view of care supply, including where providers are supplying to multiple authorities; use this to ensure consistency and moderation of rates.

In addition to these specific opportunities, regional collaboration is enabling authorities to work together to commission strategically and shape the market. Grant funding to support the fair cost of care can be used to support the area of 'greatest local importance', which gives commissioners license to actively determine which areas of the market to fund and to grow, and which areas to seek to reduce or reshape, rather than simply proportionally uplift all providers and all areas of the market. Strategies may include:

- Reducing the size of the bedded care market.
- Growing and strengthening the domiciliary care market.
- Developing innovative models of care which can promote independence such as micro-provider models, supported living and extra care housing.

Joint working on technical challenges and opportunities

With common principles and a shared method for change established, there are then a number of specific, technical challenges and opportunities in delivering successful implementation of charging reform which will benefit from some degree of regional collaboration. Figure 7 gives an overview of some of the priorities, with suggested phasing in terms of short, medium and long term.

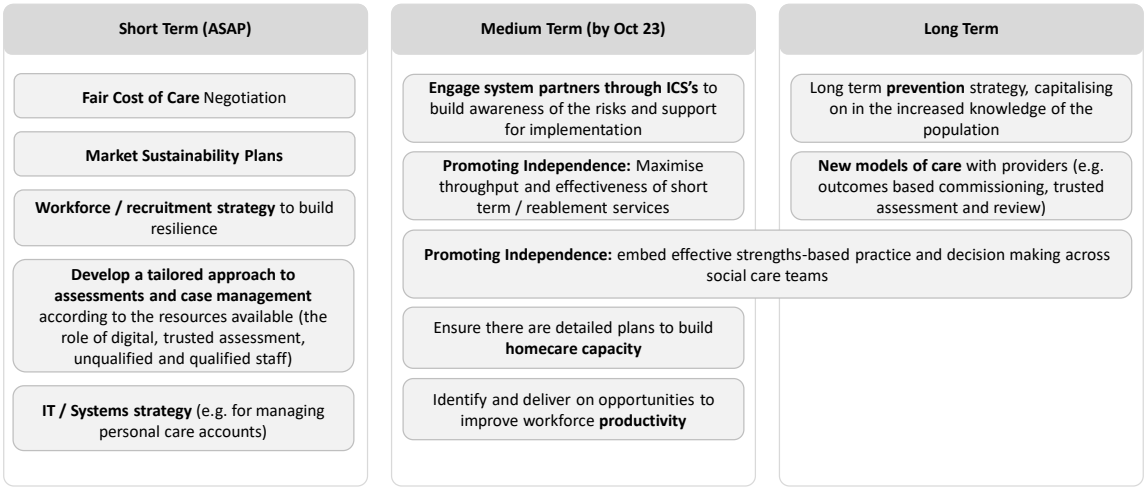

Figure 7 - an overview of potential priorities in delivering successful implementation of charging reform

Some of these priorities, especially those in the short term, are specific to delivering charging reform, such as preparing market sustainability plans and developing a systems strategy to ensure the requirements of, for example, care accounts can be met. However the majority, such as developing digital self-assessment; maximising demand management and prevention; and developing new models of care with providers are priorities which we would already be seeking to achieve through existing transformation plans and which are given new impetus by reform.

Regional and sub-regional collaboration around these priorities is allowing effective use of resources, a pooling of skills and expertise, and a degree of consistency for residents and staff across the region.

Key points for central government to address

There are four key points for central government to address to best support Yorkshire and the Humber in successfully implementing reform:

1. Phasing implementation
2. Fully funding the fair cost of care
3. Develop a concrete set of proposals to tackle the wider challenge of truly 'fixing' social care
4. Clearly communicating the changes to residents

Phasing implementation

Positively, charging reform provides a 'burning platform' to progress areas of social care transformation which have perhaps long been an ambition. For example, increasing digitisation, improving productivity or enhancing market sustainability are all areas of ambition which align with the broader vision set out in the *People at the Heart of Care* White Paper. However the time available for implementation, particularly in the context of COVID-19 recovery and wider reforms including CQC assurance and the Health and Social Care White Paper, does not allow these positive opportunities to be taken.

Specifically the additional workforce required presents a challenge which is unsurmountable in the time available. Local authorities either have to launch substantial recruitment drives, in a market where they are already operating with 10% vacancies, or acknowledge that this will be an impossible task and set about transforming systems and processes to be able to manage the additional demand withing existing staffing levels. Both solutions will take considerable time, and cannot be achieved by October 2023. Therefore phasing or delaying implementation of these reforms is essential in order to give local authorities the time and space to innovate, to ensure they can mitigate the risks, and to capitalise on the opportunities that charging reform presents.

Similarly, local authorities must be supported with the appropriate resource and funding for implementation. Hiring in scarce resources, such as those with the right project management, change management and digital skills to deliver the necessary transformation, requires significant support from Government.

Fully funding the fair cost of care

Charging reform must be properly funded, requiring both the correct total amount of funding, and the correct national distribution. The analysis in this report suggests that the total funding and distribution for the Means Test and Cap elements of reform appear to be broadly aligned to the cost,

and therefore Yorkshire and the Humber can take some reassurance that these aspects will not introduce significant additional pressure (with specific exceptions).

However, the fair cost of care currently appears to be dramatically under-funded, leaving local authorities with a choice to either bear a significant pressure, or to refuse to pay this rate to providers. Both options represent significant risk, and this ought to be a key focus of ongoing discussion with government.

The relationship between these reforms and levels of deprivation (meaning that these reforms divert more funding to wealthier parts of the country) should be fully acknowledged, particularly in light of levelling up policy, to which this runs counter. By design, this is a set of policies designed to provide significant additional financial security to those of moderate wealth and, whilst this does not directly detract from the support offered to those of lesser wealth, it should be openly debated whether this is the right priority.

Develop a concrete set of proposals to tackle the wider challenge of truly 'fixing' social care

Whilst it is welcome to see government 'grasp the nettle' and progress charging reform, it is important to stress that this set of policies does not 'fix' social care. Referring back to the challenges explored in Section 3 of this report, charging reform seeks to address issues around the system of means-testing, and the cross subsidisation of care by self-funders, however, in the absence of a wider package of reform it will only serve to exacerbate some of the other challenges faced by social care:

- *Provider sustainability* – implementation of section 18(3) of the Care Act means that providers potentially lose their cross-subsidy, with self-funders able to access local authority rates for care. Therefore provider sustainability hinges on local authorities being able to pay a truly fair cost of care. The current suggested funding for this, which falls way short of the estimated rate, will mean local authorities cannot afford to pay this fair cost, and as a result, may risk destabilising many providers.
- *Workforce* – charging reform puts increased demand on the social care workforce. For Yorkshire and the Humber, the 'do nothing' scenario is that there would need to be an additional 400 social work staff, representing a 20% increase on the current base of approximately 2,000 in the region. An additional 67 Financial Assessment Officers would also be needed. The only way to mitigate this impact is to radically transform local authority operating models, which will require significant time and resources.
- *The relationship with the NHS* - charging reform will pose a number of challenges for NHS partners:
    - It is unclear how the costs of discharge pathways will be accounted for in an individual's care account; this could cause confusion and delay.
    - The increased demand on social care is likely to stretch resources even further, limiting the responsiveness of local authorities to support timely hospital discharge.
    - There is there potential for upwards pressure on CHC rates, with the implementation of Section 18(3) of the Care Act, and the fair cost of care. With providers losing their cross subsidy, and the NHS still able to commission CHC beds directly, providers may seek to increase their CHC rates, driving up cost to the NHS.
- *Rising costs and increased demand* – the combined effect of charging reform policies will be to significantly increase demand for adult social care. In Yorkshire and the Humber it is

anticipated there will be a demand increase for local authority support of 33% (an additional 10,000 care act assessments per year on an estimated base of 30,000). When overlaid on COVID recovery and the associated backlogs, and underlying rising demand driven by changing demographics, this represents a significant additional pressure.

Learning Disabilities and Mental Health remain areas of social care in need of much greater attention. Whilst charging reform will cover all residents in need of care and support, the impact is minimal for adults of working age and as such, this group is not the focal point of these reforms. Not only is this a source of major cost, with authorities now dedicating the majority of their adult social care budget to this cohort, this is also an area in which we know we are not delivering the best outcomes that we can. Analysis carried out by Newton consistently demonstrates that over 40% of adults with learning disabilities currently in residential settings could be supported to live more independent lives in a different setting, such as Shared Lives or Supported Living.

Therefore to truly 'fix' social care, further reform has to address:

- Developing a new *national workforce strategy*, which radically improves reward and recognition and career progression and development for those working in social care.
- *Reforming care markets* to support providers to operate sustainably, efficiently and with capacity to engage in innovation to move towards new models of care.
- Addressing the *relationship with the NHS* including strengthening the voice of social care through Integrated Care Systems.
- A strategy to *reform services for Adults with Learning Disabilities and Mental Health*.

Clearly communicating the changes to residents

As explored earlier in the report, residents are clearly confused about how this change will affect them. The current public narrative is not clear about, for example, the specifics of how the £86k cap on care costs will apply, and what will be considered eligible costs. Government must work in partnership with local government to clearly and simply communicate with residents, otherwise there is a risk of significant volume of queries, complaints and legal challenges.

Conclusion

This programme has carried out in-depth analysis of the operational and financial impacts of charging reforms for Yorkshire and the Humber, building on the work Newton carried out in partnership with CCN. Newton are grateful to all those who have been generous with their time, energy, and contributions.

The impact will be significant, and most notable for the region is the requirement to find up to 400 additional social care staff, an increase of 20%, in an already scarce workforce. The financial impact is significant too, estimated to be some £3.1bn over 10 years. These reforms need to be properly funded, and the funding of the fair cost of care is an area of particular concern.

Despite the obvious challenges, this report also finds opportunities, which colleagues in the region are willing to take, as long as the right support is provided by Government, and that realistic timelines are set. The level of transformation required to successfully implement charging reforms must not be underestimated. However, with the appropriate resource, funding, and ways of working between local and central government, implementation can be carried out successfully, realising benefits for those in need of social care.